

**BUSINESS REPORT**

**MONTANA SENATE  
61st LEGISLATURE - REGULAR SESSION**

**SENATE ENERGY AND TELECOMMUNICATIONS COMMITTEE**

**Date:** Thursday, January 15, 2009  
**Place:** Capitol

**Time:** 3:00 pm  
**Room:** 317-A

**BILLS and RESOLUTIONS HEARD:**

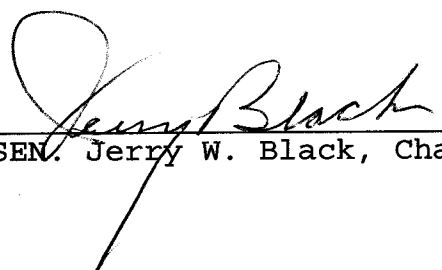
Prefix (HB, HR, HJR, SB, SR, or SJR) and number. Add Postponed (PP) when appropriate:

SB 66


**EXECUTIVE ACTION TAKEN:**

Prefix (HB, HR, HJR, SB, SR, or SJR) and number. Enter P(pass) F(failed) DPAA (do pass as amended) BC(be concurred in) BCAA (be concurred in as amended):


**COMMENTS:**

  
\_\_\_\_\_  
SEN. Jerry W. Black, Chairman

**MONTANA STATE SENATE**  
**Roll Call**  
**ENERGY & TELECOMMUNICATIONS COMMITTEE**

DATE: 1-15-2009

<u>NAME</u>	<u>PRESENT</u>	<u>ABSENT/ EXCUSED</u>
SENATOR JERRY BLACK, CHAIR	✓	
SENATOR AUBYN CURTISS, VICE CHAIR	✓	
SENATOR ROY BROWN	✓	
SENATOR RON ERICKSON	✓	
SENATOR JOHN ESP	✓	
SENATOR KELLY GEBHARDT	✓	
SENATOR BOB HAWKS	✓	
SENATOR DAVE LEWIS	✓	
SENATOR LYNDA MOSS	✓	
SENATOR SHARON STEWART-PEREGOY	✓	
SENATOR MITCH TROPILA	✓	

40 P  
40 C  
40 info  
20 discussion

**MONTANA STATE SENATE**  
**Visitors Register**

Energy & Telecommunications Committee

Date 1-15-2009

Bill No. SB 66 Sponsor(s) Senator Erickson

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Name and Address	Representing	Support	Oppose	Inf.
EDWIN BERRY, KAUSPELL	CLIMATE PHYSICS, LLC			
Anne Hedges	MEIL	X		
Kevin Daly	Gaelectric			X
ROGER HADCOCK	SELF		X	
Daniel Watson	RESERVE COUNTRY			
Leo Berry	ANP		X	
Jon Melton	Fidelity E&P		X	
Beth Kaeding	Northern Plains	X		
Mark Lambrecht	PPL Montana		X	
John Fitzpatrick	Northern Energy		X	
CANDACE TAYNE	Southern Montana Electric		X	
HALEY BEAUDRY	CFAC		X	
Jon Beunton	MT chamber		X	
Sarah Cobler	Montana Conservation Voters	X		
Janet Ellis	MT Audubon	X		
Dave Galt	MBA		X	
Torry Anderson	Encore		X	
Tom Richmond	MBOGC			X

Please leave prepared testimony with Secretary. Witness Statement forms are available if you care to submit written testimony.

**Statement of PPL Montana  
Before the Natural Resources Committee  
Of the Montana Senate  
In Opposition to Senate Bill No. 66  
January 15, 2009**

**Mark Lambrecht, Manager, Regulatory Affairs  
208 N. Montana Avenue, Ste. 204  
Helena, Montana 59601  
(406) 422-1092**

Mr. Chairman and members of the Committee:

I'm Mark Lambrecht, Manager of Regulatory Affairs for PPL Montana—part-owner and operator of the Colstrip Steam Electric Station and owner/operator of the J.E. Corette Steam Electric Station in Billings and eleven hydroelectric facilities in Montana.

As a major energy producer, PPL Montana recognizes the responsibility to address climate change in a reasoned and informed way. PPL Montana is active in the search for new technologies that can lower greenhouse gas emissions and allow for the continued use of coal.

PPL Montana, recognizing its responsibility as a power generator, has participated in a number of efforts that have helped us better understand how to respond to potential state and federal climate change policies that will require reductions in carbon emissions.

- We were one of the first companies to join the U.S. Department of Energy's Big Sky Carbon Sequestration Partnership at Montana State University in Bozeman.
- We were original supporters of the Low-Carbon Economy Act of 2007, which would have created a market-based cap-and-trade system to reduce carbon dioxide emissions.
- We are an industry sponsor of a CO2 Capture Demonstration Project at the University of North Dakota which will test the feasibility of several CO2 capture technologies.
- I represented PPL Montana as a member of the Governor's Climate Change Advisory Committee and helped develop 54 recommendations for reducing greenhouse gas emissions in the state; and
- I now represent PPL Montana as a member of the technical advisory panel of the Climate Registry—a greenhouse gas reporting protocol that is being developed for the western region.

Our participation in these efforts and our investigation of technologies has led us to the following conclusion: none of the carbon capture and sequestration technologies being tested right now have been proven on a commercial basis and any claims about their feasibility are based on pilot plant studies.

Beyond technical feasibility, liability is perhaps the most significant challenge to overcome in geologic sequestration. We do not know at this time whether or not pumping large volumes of compressed carbon dioxide thousands of feet below the surface of the Earth into geologic reservoirs will itself become an environmental liability. With any such technology solution we would have to be assured that the carbon dioxide could not find its way back to the surface or cause other unintended consequences, such as contaminating other resources.

Property rights issues are another hurdle to geologic sequestration. Montana has split estates—meaning one piece of property may have different surface rights and mineral rights owners.

Senate Bill 66 addresses these issues by borrowing concepts from a draft rule considered by the Montana Legislature's Energy and Telecommunications Interim Committee last summer. Like Senate Bill 66, the draft rule would have assigned ownership of the pore space of a geologic reservoir to the surface rights owner and liability for stored carbon dioxide with the injector. However, the draft rule would have assigned primary regulatory authority for carbon sequestration to the Montana Board of Oil and Gas Conservation (where it belongs) rather than the Montana Board of Environmental Review. We may be best served by waiting until the feasibility of carbon capture and sequestration has been commercially proven before we assign such broad authority.

Senate Bill 66 rightly—but redundantly—assigns ownership of pore space to the surface owner. Montana statutes already clearly provide such property rights to surface owners.

The bill also requires the sequestration permit holder (or injector) to carry liability insurance for the lifetime of the well's operation and 75 years following its closure and a "reasonable bond" to guarantee the effectiveness of the sequestration well. These two conditions address important considerations, but stop short of providing direction on two questions that may keep companies from investing in carbon sequestration. First, who will be liable for the well 75 years after its closure? Will the State of Montana assume liability at that point? Second, what constitutes a "reasonable bond?" At this point, we don't know what costs could be involved if carbon dioxide escapes or pollutes other resources.

Until these issues are addressed by the federal government and the states, progress on carbon capture and storage in Montana and elsewhere will be slow. National standards are needed to address these issues to provide consistency and regulatory certainty for energy companies and uniform environmental protection for the public.

For these reasons, I ask that you give this legislation a "do not pass" recommendation.

Thank you for the opportunity to comment.